

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Reliability Technical Conference

Docket No. AD14-9-000

**STATEMENT OF ROBERT HAYES
VICE PRESIDENT OF GAS TRADING
CALPINE CORPORATION**

JUNE 10, 2014

My name is Robert Hayes. I am Vice President of Gas Trading with Calpine Corporation. Calpine is an independent power producer currently with more than 29,000 Megawatts (“MW”) of generation capacity from 94 power plants across 20 states. Approximately 95 percent of the electricity generated by Calpine’s fleet is from natural gas-fired power plants. In my capacity as Vice President of Gas Trading, I oversee all gas purchasing and balancing for Calpine’s fleet of natural gas-fired power plants.

I would like to thank the Commissioners and FERC Staff for inviting me to speak today on the topic of “Emerging Issues,” and specifically reliability issues regarding gas/electric interdependency. I have been fortunate to participate in prior FERC-sponsored gas/electric coordination conferences. I believe that through these discussions, the gas and electric industries are developing a more thorough understanding of each other’s business and through this understanding, we are improving our communications and developing a more productive working relationship. Just recently, recognizing the growing interdependencies between the two industries and the challenges this presents, the Commission issued a NOPR and commenced a 206 proceeding to better coordinate natural gas and electricity scheduling practices. These proposed changes are welcome improvements, and Calpine supports the Commission’s

effort. We are actively participating in the NAESB process, and we will remain engaged as the process moves forward.

In the agenda for today's conference, this panel is asked to discuss the changes that are occurring in the power generating industry, and with regard to gas and electric interdependency, how an increased dependency on natural gas could impact reliability, and what actions will be needed to maintain reliability.

Calpine believes that the electric industry is sound and is ready for the transition from a system supported by older, less efficient and more costly coal plants to one supported by newer, more efficient, less expensive and cleaner natural gas plants. There is significant new power generation investment occurring, particularly in the PJM region. These investments are being made due to the abundance of shale natural gas, the existence of a competitive market, and a commitment by PJM and its stakeholders to seeing the market function well. We believe that similar investment will be made in other markets, provided that the markets are functioning properly and are able to send the signal when new investment is needed. Although none of the markets are perfect, changes to address some of the issues are underway, and grid reliability is secure.

The natural gas pipeline industry is similarly responding to the increased demand for natural gas. We are already seeing a significant expansion of the pipeline infrastructure in the Northeastern United States, and more broadly, pipeline companies have announced approximately 25 projects scheduled to be in service over the next 3-4 years that will move approximately 15 Billion cubic feet/day of natural gas from the Marcellus Shale region to markets east of the Rockies. These plans represent total capital expenditures of \$12-\$18 billion, and could fuel more than 130,000 MW of gas-fired generation. Although it is unlikely that all of

these projects will be built, this level of proposed investment is a clear signal that the gas industry is ready, willing and able to meet the demands of the power industry.

Market signals are working to incentivize investment in new electric and gas market infrastructure. However, markets are not perfect and some level of ongoing optimization is required. Many of the changes needed to remove market distortion and ensure efficient deployment of capital are well underway, and the ISOs and RTOs should continue to work with stakeholders to explore ways to address market imperfections.

In conclusion, Calpine believes that the power markets are generally working well, sending the appropriate price signals that inform owners of older plants when it is time to retire their facilities and incenting generation developers to build new facilities to meet demand. The Commission should continue to take a leadership role in ensuring that this transition occurs reliably and without market distortions.